

retired Educator

SUMMER 2004

SEMIANNUAL NEWSLETTER FOR CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM BENEFIT RECIPIENTS

Post-Retirement Earnings Limit Increased to \$27,720

YOU MAY BE CONSIDERING OTHER EMPLOYMENT OPPORTUNITIES DURING YOUR RETIREMENT. You may work outside the California public school system with no restrictions and still receive your full CalSTRS retirement benefit. However, if you want to return to public school teaching in California without reinstating to active CalSTRS membership, there is a post-retirement earnings limitation.

Between July 1, 2004 and June 30, 2005, you can earn up to \$27,720

with no effect on your benefit. This limitation applies whether you are employed directly by a school district, by a third party or working as an independent contractor. Extra service such as teaching summer school and intersession counts toward the limit. You are prohibited by law from employment in a classified position if you are retired from CalSTRS.

If you exceed the limit in any fiscal year, your retirement benefit will be reduced dollar-for-dollar by the amount your earnings exceed the limit.

Exemptions to the Limits

Various exemptions to post-retirement earnings limitations have been passed to encourage retired educators to return to the classroom. These exemptions are based on the type of post-retirement public school employment, the date of retirement and if a break of at least 12 consecutive months in CalSTRS membership has occurred.

For information about the limits and exemptions:

- ▲ refer to the **Member Handbook** (2004), pages 35 and 36, available online or from **800-228-5453** or
- ▲ visit **www.calstrs.com** and click on **Contact Us** or
- ▲ call **800-228-5453**

Disability Retirement Rules Differ

If you are receiving a disability benefit or disability retirement, your earnings limitation rules are different. For more information, see *Disability Benefits* on our Web site or call us.

WHAT'S INSIDE

Member Surveys	3
CalSTRS Stands Up for Retired Members	4
myCalSTRS Offers New Features	5
Federal Budget Proposal Adds Elk Hills Payment	7
Upswing in Economy is a Bright Spot	8
Governor Appointments Complete CalSTRS Retirement Board	9





CEO Notes

BY JACK EHNES, CHIEF EXECUTIVE OFFICER

WITH THE RECENT NEWS THAT

CalSTRS' ACTUARIAL VALUATION

REPORT indicated the pension fund is valued at 82 percent of needed long-term funding, we'd like to reassure you that this is no cause for alarm. CalSTRS is a defined benefit program that guarantees lifetime benefits to members and their beneficiaries.

CalSTRS conducts a valuation every two years to measure its "funding status," its long-term ability to cover benefits already earned by the members of the Defined Benefit Program. The funding status was at 98 percent in 2001 and is now at 82 percent. CalSTRS has the ability to fund benefits for the next 20 years at current contribution rates. Therefore, this is not a critical situation, but it is one we will take seriously. The Teachers' Retirement Board will develop a plan of action later this year to prudently address the long-term forecast.

The actuarial valuation's findings will have no impact on your pension.

One option that might be considered is to increase contributions from one or more of our three funding sources—employees, employers and the state. The valuation shows that an increase in contributions of at most 4.35 percent of teachers' payroll for 30 years will permanently fund current and future expected benefit payments. Currently, the total contributions from the employees, employers and the state's general fund are about 17 percent of payroll.

Recent low investment returns for an unexpectedly prolonged period is the primary cause for the short-

fall. As the economy has improved, so has the CalSTRS investment portfolio performance. A double-digit rate of return is anticipated for this fiscal year. However, while excellent portfolio performance can help the under-funded problem, it will not solve it.

The CalSTRS board will work with the Legislature, school districts and stakeholders to address the under-funding problem in order to achieve a solution that will meet the needs of all parties involved.

Member Surveys— What You've Told Us

AS YOU KNOW, WE'VE BEEN SEEKING YOUR HELP THROUGH SURVEYS and focus groups so we can better tailor our services to match your needs. Although we'll continue to ask for your advice, we wanted to share with you what we've learned so far.

Satisfaction with Membership

About 85 percent of retired survey respondents were satisfied with their membership in CalSTRS. "My deposit is made on time" was the most important part of their membership, according to 97 percent of CalSTRS retirees. Less than 9 percent of respondents were dissatisfied with their CalSTRS membership. The main reason given for this dissatisfaction was a lack of or inconsistent communication.

Communicating with CalSTRS

Many of our survey questions were centered on communicating with CalSTRS. Here's what members had to say:

- ▲ There is a growing interest in communicating with us by e-mail. In fact, Member Services averages 2,000 e-mails a month.
- ▲ In general, respondents were satisfied with the frequency of communication they have with CalSTRS and thought the information in this newsletter is useful.

- ▲ Most respondents had not conducted business on the CalSTRS Web site, but 60 percent said they'd be willing to do so in a completely secure environment.
- ▲ The most frequently used communication tools are the Web site and our information number **800-228-5453**.

Focusing on You

Retired members who participated in focus groups had a lot to say about customer service. They told us they want to feel that CalSTRS representatives are "on their side." They also want convenient, accurate and consistent information that is relevant to their situation.

Focus group participants were also specific about some of the changes they'd like to see — for instance an index in the *Member Handbook*.

What's Next

It's clear from this research that we need to improve our methods of reaching out to our members and making you aware that we can be an important financial resource throughout your life and for your survivors.



In future editions of the *Retired Educator*, we'll talk about other ways we plan to serve you better, based on the information you're giving us. And we'll continue to ask for your involvement to help serve you more effectively.

CalSTRS Stands Up for Retired Members



AS PART OF OUR GOAL TO MAINTAIN THE STRENGTH OF OUR INVESTMENT PORTFOLIO, CalSTRS has been a tenacious advocate for corporate reforms. Here are the highlights of our recent efforts:

- We pushed for stricter reform of the New York Stock Exchange. CalSTRS urged the Securities and Exchange Commission to demand higher standards for disclosure, openness and transparency, along with a truly independent Board of Directors.
- CalSTRS urged the Securities and Exchange Commission to adopt a rule to open up the board election process by allowing shareholder-nominated board candidates to be listed on the proxy statement.

- CalSTRS terminated its relationship with Putnam Investments, which managed a large-cap growth account for CalSTRS. In 2003, the company came under scrutiny for improper trading activity. The infractions did not directly affect the CalSTRS portfolio; however, CalSTRS decided other fund managers could better service the account.
- We settled a class action suit with Homestore, Inc. and are continuing to press forward to trial against two former company officers and the company's auditors. The suit accused the Internet real estate company and

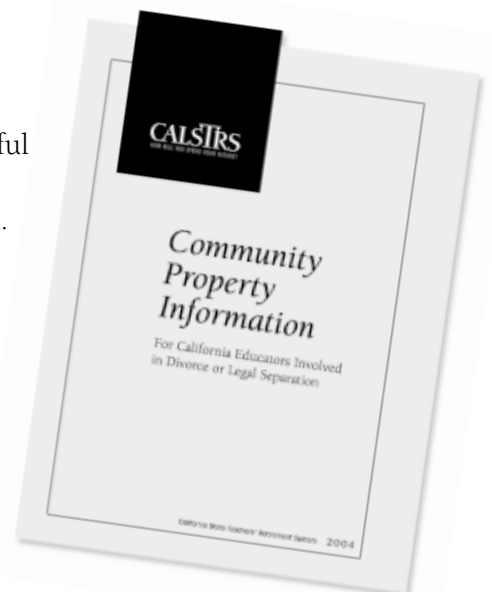
others with falsifying financial statements and engaging in accounting irregularities. Under the settlement, Homestore, Inc. agreed to reform its corporate policies and to pay cash and stock to the class in a total amount of approximately \$100 million based on the current stock valuation. CalSTRS CEO Jack Ehnes said the new corporate governance protections set an example for Wall Street.

We'll keep you updated on these important efforts in the *Retired Educator*.

Community Property Information Booklet

Community Property Information is useful for California educators who are involved in a divorce or legal separation. The booklet includes sample court orders and CalSTRS forms.

To order a copy, visit www.calstrs.com and click on *Forms and Publications*, or call us at **800-228-5453**.



myCalSTRS Offers New Features

DID YOU KNOW THAT YOU HAVE A SECURE ONLINE LOCATION TO VIEW AND UPDATE YOUR PERSONAL ACCOUNT INFORMATION? It's myCalSTRS at www.calstrs.com. Recently added features make it easier for you to keep your CalSTRS contact information up to date.

As a registered myCalSTRS user, you currently can view and print your:

- 1099R tax form for select years
- U.S. mailing address
- Tax withholding information
- One-time death benefit recipient
- Option beneficiary and option number

The newest feature, **Level 2 Access**, allows you to make online updates to your U.S. mailing address and phone number, rather than mailing in a form. For more information and to request this feature, go to myCalSTRS.

Fast and Secure Communication

This summer, myCalSTRS will offer a secure communication feature. This feature provides a way to securely send and receive confidential information or answers to your personal account questions.



This fall, you'll also be able to view and print your benefit payment stubs and year-to-date payment information.

Easy Access

Access to myCalSTRS is easy from the CalSTRS Web site at www.calstrs.com. Just click **Register** if you're a first-time user. If you're already a registered user, click on **Login**.

What's in a Name?

GINNY JONES AND VIRGINIA M. JONES MAY SOUND LIKE THE SAME PERSON TO YOU, but not to the folks at Social Security. They like everything to be precise. That's why when you ask us to record a name change at CalSTRS, the name has to exactly match the name on your Social Security card.

It's essential that your name on our records matches Social Security's so you'll receive timely tax information.

CalSTRS could also be charged a penalty every time someone receives a CalSTRS benefit and the name on our records differs from Social Security's. While this won't affect your CalSTRS benefit, you can help us keep costs down by being a stickler about your name.

The easiest way to change your name is to send us a letter with your signature. Include a copy of your birth certificate, Social Security

card, marriage license, court order or divorce decree with the name change specified. We can't accept a driver's license as proof. If you're not sure if we have your correct name, check your 1099R tax form. You can also see your 1099R at www.calstrs.com. Click on myCalSTRS.

Retired Member Representative Marty Mathiesen Dies

A Lifetime of Service to Others

With sadness and regret, Jack Ehnes announced the March 11, 2004 passing of Marty Mathiesen at the May Teachers' Retirement Board meeting. Marty had served as the retired member representative from 1996 to 2002. He was appointed by Governor Pete Wilson and reappointed by Governor Gray Davis.

Marty helped enact many important benefit enhancements, including purchasing power protection for those retired members most affected by inflation. During his tenure, some of the important legislative changes put into place were:

- ❖ One-time benefit increase of 1 to 6 percent for our oldest retirees
- ❖ Post-retirement earnings limits were raised to help those retirees who return to the classroom
- ❖ CalSTRS began to pay Medicare Part A (hospital) premiums for retired Defined Benefit members who were not otherwise eligible



*Marty Mathiesen
1912–2004*

- ❖ Guaranteed retirees a minimum annual benefit of \$15,000 for members who retired with at least 20 years of service credit
- ❖ Reinstatement benefits were calculated differently to boost member benefit for retirees returning to the classroom

Most of Marty's 40 years in education were spent in the Fremont Union High School District. He held positions of teacher, coach, principal, assistant superintendent, deputy superintendent and acting superintendent.

Marty served on many boards, including the Association of California School Administrators, California Association of School Business Officials, California Administrators Association, California Teachers Association and Northern California Officials Association. He was also president, vice-president and treasurer of the California Retired Teachers Association.

"Marty was a true advocate for CalSTRS members and retired members. For many years to come, our members will benefit from his dedicated efforts," said Gary Lynes, chair, Teachers' Retirement Board.

Federal Budget Proposal Adds Elk Hills Payment

THANKS TO THE EFFORTS OF REPRESENTATIVE BILL THOMAS OF BAKERSFIELD, CHAIRMAN OF THE HOUSE WAYS AND MEANS COMMITTEE, the President's federal budget request to Congress has been amended to include \$36 million for the seventh Elk Hills payment due to CalSTRS. In addition, Representative Thomas led a bipartisan effort on Capitol Hill that resulted in all 53 Members of the California delegation in the U.S. House of Representatives signing a letter of strong support to the Congressional appropriators for the necessary appropriation of funds by Congress. This appropriation of Elk Hills compensation must now be approved by the House and Senate. A House appropriations panel has approved \$36 million in Elk Hills funding, and the full House is expected to act shortly. Representative Thomas and U.S. Senator Dianne Feinstein, who sits on the Senate committee considering the proposal, have been consistent champions in CalSTRS' effort to secure funding in previous years.

The payment was omitted from the Administration's initial budget request submitted earlier this year. While the Elk Hills sale authorized \$320 million in payments to CalSTRS, the funds must be appropriated each year in federal budget legislation. So far, total compensation paid to CalSTRS on behalf of its members is \$216 million.

CalSTRS CEO Jack Ehnes stated "We are pleased that as the result of Representative Thomas's efforts, the Admin-

istration has expressed a strong commitment to the continuance of the payment plan. We are grateful for the longstanding support of Representative Thomas, Senator Feinstein, and the entire California Congressional delegation in our efforts to secure Elk Hills compensation to benefit our members."

Payments Provide Purchasing Power

Elk Hills payments go into the Supplemental Benefit Maintenance Account, which provides quarterly payments to older benefit recipients. These payments help eligible members keep pace with inflation by supplementing their monthly benefit to 80 percent of the purchasing power of their initial benefit payment. The Elk Hills appropriation is only a small part of the funding for supplemental payments. The program is mostly financed through California's general fund.

Elk Hills History

The Elk Hills compensation was established when the federal government sold the Elk Hills Petroleum Reserve in 1997 for \$3.65 billion. Nine percent of the proceeds, or \$320 million, was earmarked for California's retired teachers as compensation for some school lands included in the Elk Hills property.

It's important to remember the supplemental payments to eligible members are required by state law and will continue whether or not the federal appropriation is made each year.

CalSTRS Confetti

CalSTRS Retirees Like West Virginia Too

In our article *CalSTRS Retirees Like California Best*, (Winter 2004, page 6), we inadvertently missed our retired friends in West Virginia.

Jane, one of 43 retirees living there, wrote to us and set the record straight. She says that West Virginia is a "wonderful place for retirement."

Thanks Jane.

Do We Have Your Current Address?

It's important that we have your current address. If your address changes, please complete and send us an *Address Change Request* form. You can find the form at www.calstrs.com or by calling us at **800-228-5453**.

With **Level 2 Access**, you can change your address online at *myCalSTRS* (see *myCalSTRS Offers New Features*, page 5).



Upswing in Economy is a Bright Spot *The CalSTRS Investment Portfolio is Rock Solid*

By Christopher Ailman
Chief Investment Officer

THE NEWS IN JACK EHNES' CEO NOTES COVERS THE DECLINE IN OUR FUNDING LEVEL THROUGH JUNE 30, 2003. Since we use a three-year average, that time period picks up the worst of the prolonged bear market after the NASDAQ bubble burst. As Jack points out, our long-term goal is to be fully funded. A large part of that is generating a strong return from the investment portfolio. When you look beyond June 30, 2003, the news gets surprisingly better. In fact, the investment portfolio has fully recovered the losses from the bear market of 2000 to 2002. In April 2004, we set a new all time record high.

Not many pension plans or individual investors have fully recovered from the bear market. However, in fewer than 18 months CalSTRS fully recovered and set a new high of \$116.8 billion in assets. Thanks to some quick asset shifts and strong management, the CalSTRS portfolio remains rock solid. While this helps improve the funding status, it can't cure all the ills in just one year. We need to sustain an average

return above 8 percent for the next couple of years. That may be tough to do; the investment portfolio alone cannot resolve the issues.

The fact is our funding level will move, albeit slowly, up and down with the general movements of the U.S. and global economies. It is simply a fact of life for a *long-term* pension plan. We have a 20 to 40 year investment horizon. As a result, we expect dips and turns in the global economy. But over a long-time period our portfolio is anticipated to earn over 8 percent per year. There will be fluctuations. For example with the rebound in the U.S. stock market, our portfolio has climbed nearly 34 percent in the past 18 months. On March 31, 2004 the portfolio stood at \$116 billion with a 17 percent rate of return for the fiscal year.

While we always enjoy good news, we must point out that your retirement benefit is NOT based on how well or poorly the investment portfolio performs. Your benefit is a set formula based on your years of service, age at retirement and highest compensation.

The investment portfolio still receives a lot of attention and interest simply because of its huge size. The CalSTRS investment portfolio is the third largest public pension fund, and the largest teachers' pension fund, in the U.S. We are well ahead of General Motors, G.E. and even Exxon/Mobil.

How do we manage such a large pension fund? The investment portfolio at CalSTRS is broadly diversified across six major asset classes: U.S. stocks, non-U.S. stocks, fixed income, real estate, private equity and cash. CalSTRS has a very long-term investment horizon of 20 to 40 years. As a result, the plan has an asset mix with roughly 73 percent of the assets in stock-like investments and 27 percent in fixed-income investments. You can see details on each asset class and a complete listing of our investments at www.calstrs.com.

Our strategy of diversification and investing for the long term, along with our size, helps us weather the inevitable ups and downs in the stock market.

Governor Appointments Complete CalSTRS Retirement Board

GOVERNOR ARNOLD SCHWARZENEGGER HAS NAMED FIVE NEW MEMBERS TO THE TEACHERS' RETIREMENT BOARD, bringing the board up to its full 12-member strength.

Retired Member Representative

Dr. Gloria S. Hom, the retired members' representative, has an extensive record of academic and public service. She is chairwoman emeritus of the Economics Department for West Valley Mission College where she was a faculty member for more than 30 years.

Gloria has taught a wide range of subjects at colleges and universities in California and China including economics, political science, history

and sociology. She earned her Doctorate of Education from the University of San Francisco and was educated in schools throughout the world.

Participation in community activities plays an important part of Gloria's life. She is experienced in fund-raising and community coalition building. She has been a member or president of various boards and associations, such as the Rotary Club, Girl Scouts and San Jose Historical Museum.

Gloria has received awards for her service from many organizations, including the California State University System, California State

Board of Education, U.S. Department of Education and the White House Conference on Libraries and Information Service.

Others Named to Board

The four additional new members have diverse experience in business, education and government. **Mark Battey** is managing director of Miramar Capital, which provides financial, strategic planning and management consulting services.

Jim Gray is chairman of the Desert Community College Board of Trustees. **Miguel Pulido** is a fifth-term mayor of the city of Santa Ana. **Kathleen Smalley** is managing director of Greenbrier Associates, a real estate financial services firm.

CalSTRS Mission: Securing the financial future and sustaining the trust of California's educators

Teachers' Retirement Board

Gary Lynes, Chair

Carolyn Widener, Vice-Chair

Phil Angelides

Donna Arduin

Mark Battey

Dana Dillon

James Gray

Gloria Hom

Jack O'Connell

Miguel Pulido

Kathleen Smalley

Steve Westly

Jack Ehnes, Chief Executive Officer

Christopher J. Ailman, Chief Investment Officer

Sherry Reser, Communications Director

Lena Tabilio, Editor

Statements in this publication are general and the Teachers' Retirement Law is complex and specific. If a conflict arises between information contained in this publication and the law, any decisions will be based on the law.

The *Retired Educator* is published twice a year for retired members and benefit recipients of the California State Teachers' Retirement System. Send your comments or suggestions to: Editor, Communications, MS #34, P.O. Box 15275, Sacramento, CA 95851



printed on recycled paper

Retired Educator Organizations

Retiree organizations have been involved in legislation affecting all retired educators. If you are interested in joining such an organization, the contact information is provided below as a courtesy and not as an endorsement.



Association of Retired Teachers

P.O. Box 57438
Sherman Oaks, CA 91413
323-666-0544
(for Los Angeles Unified School District educators)

California Federation of Teachers

One Kaiser Plaza, Suite 1440
Oakland, CA 94612
510-832-8812
www.cft.org

California Retired Teachers Association

800 Howe Avenue, Suite 370
Sacramento, CA 95825
800-523-2782
www.calrta.org

California Teachers Association/NEA – Retired

P.O. Box 921
Burlingame, CA 94011-0921
650-697-1400
www.cta.org

Faculty Association of California Community Colleges

1823 11th Street
Sacramento, CA 95814
916-447-8555
www.faccc.org

United Teachers Los Angeles-Retired

3303 Wilshire Blvd., 10th Floor
Los Angeles, CA 90010
213-487-5560
www.utla.net

Organizing Your Documents

Use the form below to keep track of your important documents. This will help you quickly find your records when you need them the most. You may also want to let your family know about this form, so they can easily access the documents if they need them.

IMPORTANT DOCUMENTS

PERSONAL

Indicate the location of each document.

Birth certificate _____	Marriage certificate _____
Deed/title to property _____	Vehicle title _____
Passport _____	Social Security card _____
Divorce papers _____	Military service record _____
Funeral arrangements _____	

FINANCIAL

Indicate the bank name and account number for each account.

Bank account (Primary) _____

Bank account (Other) _____

Mortgage _____

Safe deposit box/box number/location _____

INSURANCE

Indicate the insurance company, address and policy number for each policy.

Life insurance _____

Health insurance _____

Vehicle insurance _____

Property insurance _____

LEGAL

Indicate the location of each document and, if applicable, an authorized individual.

Will _____

Trust _____

Power of attorney _____

CaISTRS DOCUMENTS

Indicate the location of each document, if applicable.

One-Time Death Benefit Recipient form _____

Service Retirement Application _____

Award letters _____

1099R tax forms _____

OTHER

Indicate the location of each item.

Extra keys to home, vehicle, etc. _____

Safe deposit box keys _____

Contact Us



Web site and e-message

www.calstrs.com

Use *Contact Us* to e-mail



Write

CalSTRS

P.O. Box 15275

Sacramento CA, 95851-0275



Call

800-228-5453

916-229-3870

916-229-3541 for TTY



Visit

Member Services

7919 Folsom Boulevard

2nd Floor

Sacramento, CA 95826



Fax

916-229-3879

Inside the Retired Educator

Post-Retirement Earnings Limit Increased to \$27,720	1
Member Surveys	3
CalSTRS Stands Up for Retired Members	4
myCalSTRS Offers New Features	5
Federal Budget Proposal Adds Elk Hills Payment	7
Upswing in Economy is a Bright Spot	8
Governor Appointments Complete CalSTRS Retirement Board	9